Calculating New Agricultural Parity

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For about 96 percent of the American people, the reality of agriculture is buried under great heaps of "well-known truths" which are chiefly myths or even outright lies against our farmers.

For some years, the American food producer has been selling his product at prices which, from year to year, have averaged out at considerably less than the calculated parity values. When farmer product is sold at a price which is more than slightly below such parity values, the difference between the price received and cost of production must come out of the capital of agriculture. This takes the form of depletion of improvements in land, decay of agricultural equipment, and so forth.

The reason many farmers have avoided bankruptcy as long as they have is that until recently agriculture enjoyed the availability of significant volumes of credit, some at comparatively favorable interest rates. What the farmer did under these circumstances was to borrow capital to replace the invested capital he had lost by way of less-than-parity prices. The pile-up of agricultural debt that resulted was covered on the accounting ledgers of the lenders by a spiral of agricultural land prices.

The fiction in these land prices is exposed by the fact that no farmer could buy farmland at such prices for the purpose of agricultural production. In other words, this inflation in land prices meant that the financial rent on that land far exceeded the income of production using that land.

So, all the years farmers were piling up debts to cover the depletion of their capital by less-than-parity prices, a disaster was being built into American agriculture—whenever the supply of credit dried out, or whenever some drastic cut in farmers' income triggered the spiral in debt-equity ratios.

Then came President Jimmy Carter.

President Carter's administration participated in rigging the overthrow of the Shah of Iran. Although the net result of the cut in Iranian oil production has turned out to be a glut in world market oil supplies, the London petroleum-marketing cartel used the pretext of the

Khomeini *coup d'état* to double their petroleum prices, and the Carter administration rigged an artificial petroleum-price crisis in the United States in direct collusion with the London petroleum-marketing companies.

This swindle, which Carter aided as part of his "energy policy," hit agriculture severely. Agriculture is extremely energy-intensive in terms of such items as fertilizers and fuels, and also directly and indirectly extremely energy-price sensitive.

Then, Carter and Federal Reserve Chairman Paul A. Volcker conspired to bring on a credit-crunch and the first stage of an actual depression with the mislabeled "anti-inflation" package of last October. Then, as usual, Carter lied. He promised that the grain embargo against the Soviet Union would not result in bringing the sudden grain surplus into the domestic and world markets, to depress grain prices received by farmers. Typical of Carter, he broke that promise almost as soon as he had given it.

Although Volcker has formally reversed the new round of interest-rate hikes introduced by Carter March 14, the effect of that short-term leap in interest-rates was to wreck the U.S. and world credit systems to the point that once interest rates began to be lowered, permanent damage had been done to the credit structure.

Now, the farmer is forced to turn everything salable into cash for liquidity, under pressure from banks. Farmers trapped in "prime-plus" financial contracts are suffering a massive loss. Forced dumping of farm products at near-disaster prices drives prices received by farmers ever-lower. Pork, beef, and so forth are now being sold at prices generally way below the cost of production.

To give the non-farmer citizen some idea of what this means for his or her dinner table in 1981, we refer to the 1973–1974 shake-out in agriculture, a much milder shock than is occurring right now. During that period, herds were reduced by slaughter, and the cut in herd size has never been reversed since. It is a lie that high beef prices are holding down beef consumption by the public. The public has been buying every pound of beef the cattle-raiser and cattle-feeder have been able to deliver to the market without cutting replacement herd-stocks to the point of significantly reducing the following years of supply of beef.

Admittedly, there is an additional aspect to the problem. When the owner-operator farmer is forced to dump his product, it is the financially connected major grain and other farm-product oligopolies which buy up the farmer's product at low prices and resell that product under circumstances of significantly higher prevailing market price. The farmer lacks the credit-resources to hold his own product-inventory to supply final demand. For the moment, we merely caution the non-farmer citizen that such an in-between matter exists. We continue now to concentrate on the matters dealing with parity values of prices paid to owner-operator farmers.

If the farmer is driven out of business, as a growing number are going out of business this year, the next year will see a shortage in food production, and substantially higher prices. This rise in food prices will then spiral upward as financial syndicates move in to control an increasing portion of farmland still in production. The trend will then be toward raising agricultural prices to levels determined by the artificial valuation of debt-laden agricultural land.

To repeat the point stated earlier. What is at issue for the 96 percent nonfarmer percentile of the citizenry is *a loss of stable food supplies at stable prices*. Parity prices to the owner-operator farmer protect not only the farmer: they are indispensable if we are to ensure a stable nutritional level at stable prices for the family dinner table.

We have stressed "owner-operator farmer" and we add that the agricultural policies of the LaRouche administration will be based on keeping that independent, owner-operator farmer as the mainstay of U.S. food production. It is that farmer, not the absentee-owner, who sometimes works up to 17 or 18 hours a day, several days in succession, to prevent vagaries of weather from destroying a harvest and such contingencies. It is the technological ingenuity of such owner-operator farmers, especially those operating large family or intrafamily farms with benefits of economies of scale, which effects the main part of the improvements in quality and economic productivity of the American System's agricultural miracles.

That is the independent-farmer system I am committed to keeping and strengthening. If the majority of the 96 percent nonfarmers are as sensible as I trust they are, they will join with me in insisting on that same policy.

How Parity Ought To Work

Agriculture cannot work merely from the planting to the harvesting, one year at a time. A farmer produces economically by undertaking a program of production for each part of his output, a program involving investments in land-improvements, equipment and so forth, which must be averaged out over not less than a three-to-five-year period.

Therefore, to secure economic efficiency—that is, to keep parity-values as low as technology permits—farmers must commit themselves to production programs for their farms based on fair foreknowledge of the market demand in quantities and average prices for forward running periods of between three to five years, allowing for marginal year-to-year adjustments.

In other words, to bring the required parity value down to the lowest sound price, we must work to create orderly markets for agricultural products, in both domestic and foreign markets over running three- to five-year-forward periods. Farmers can then produce according to reliably forecast demands. As long as we can buffer the excesses and shortages caused by weather and such with reasonable product inventories, the farmers can keep the food-pipelines filled to any reasonably forecast food-requirement at a stable average price for this volume of product.

Let it be clear that we are not hinting at some scheme for governmental *de facto* "collectivization" of the American farmer. No measure must be introduced which undercuts the independence of the owner-operator farmer. Our job is to use the tools of better forecasting and better agricultural export practices and policies to provide those independent farmers with reliable forecast volumes and prices which they will use as information to guide themselves in managing their farming. This means also retaining measures such as the Capper-Volstead Act, as means to aid farmers in collaborating among themselves to promote orderly marketing of their product—to protect themselves against being played against one another by greedy middleman organizations. We desire that the portion of the price we pay for food which properly belongs to the farmers should go to the farmers, to keep our food supplies stable and stable in price.

It is the ingenuity and investment-risk of the owner-operator farmer which will work within a combination of orderly marketing and sound parity-values to foster new technological improvements in agriculture by the best independent farmers. The benefits of competition among farmers will be fostered in that way.

Included Policy-Measures

Several specific measures must be taken immediately by the federal government to relieve the current agricultural crisis—that is, if the 96 percent of the non-farmer citizens are to have proper nutrition at reasonable prices for their dinner tables in 1981 and 1982.

I am committed to a policy of world-market prices for American agricultural exports, for one thing. I am against taxing our farmers in order to dump food on the world market, that being the general drift of federal policy to date.

Less than 4 percent of our labor force produces the food which has fed our population and a good part of the rest of the world besides. Of this total, about 1.5 percent of our total labor force, working as owner-operator farmers, produces the great bulk of the total, with part-time and so-called marginal farmers filling out the total. Until the cumulative disasters of the two Kissinger administrations and the Carter administration erupted over the 1970s, we could say with confidence that our farmers were the most productive in the world, producing high-quality food at the lowest social cost of any nation. About 80 percent of the Communist Chinese population is employed in producing a miserable diet for those people as a whole. About one-quarter of the Soviet labor force is required to produce a poorer average diet than less than 4 percent of the U.S. labor force.

A LaRouche administration policy for agricultural export treaties will be geared to world-market prices.

Most urgent is providing stable lines of agricultural short- to long-term agricultural production and capital-improvements credit at rates of between 4 and 6 percent. This should be adequate to promote revivals of agriculture, stopping the looming disaster to our nation's food supplies, and also providing farmers with financial leeway for better collaborative management of the marketing of their product.

Without ignoring other components of our agricultural export categories, my administration will stress three categories of product as paradigmatic for my agricultural policy as a whole. I am committed to increasing grain, beef-cattle, and dairy production, with emphasis on increased margins of export. For the medium-term, grain should be a big seller under treaty agreements secured by my administration. As developing nations improve their grain production over the medium-term, rising purchasing power in these and other nations will increase the demand for U.S. beef and dairy exports considerably. The point is to begin building up our beef and dairy herds, phasing increased grain production gradually from export into feeding of beef and dairy production.

Perhaps it will be rumored that when President LaRouche greets foreign ambassadors in boots and overalls, the ambassador will know that the President is in a mood to sell grain, beef, and dairy products. I wouldn't actually appear in such dress for diplomatic functions, but the rumor will probably be spread nonetheless. I mean to sell a growing amount of our agricultural product to nations in search of some good eating.

If some gifted people can prove good methods for improving the production of twins in beef cattle, and avoiding sterility among twins in dairy cattle, you may be certain that those people's government will not show itself ungrateful.

I am not a farmer, but, like most sensible people, I appreciate an adequate supply of good food for the dinner table.

Otherwise, as President, I shall appoint a selection of farmers to staff the relevant positions in the Agriculture Department, with some leading agronomists worked in. The American people, and a lot of hungry people abroad are going to be secured good nutrition.

The Profit-Factor in Parity

The preceding outline provides the non-farmer citizen with a rough outline of the essential background for the problem on which I am going to report at this time. When one asks, "What should a farmer's gross profit be?" the question, stated in that form, might be answered by almost any figure picked out of the air. That is the gist of the point I have been discussing with a number of leading farmers.

However, when we think of profit as the fund available for reinvestment in expansion and improvement of agriculture, any competent economist—or farmer—immediately smells out a better way to answer the question. At what rate of profit can beef herds be increased a given amount, dairy herds, grain production, and so forth and soon?

In other words, to determine what the proper gross profit component of parity-values ought to be, we must work backwards from the desired quantity and quality of total output for the category of agricultural product under consideration. I ask the American citizen "How much beef do you require for you dinner table in 1981, 1982, 1983?" At what parity-value will the American beef-producer be able to supply that required volume?

In making this calculation, we must also take into account certain other considerations. Our objective should not be merely to increase the supply of food, but to promote technological improvements in quality and quantitative features of food production. This means increasing the capital-intensity. These improvements in agricultural technology are key to controlling the price of food at the dinner-table in the medium and long term.

It happens that there exists presently only one analytical method for considering both of these two requirements, quantity and technology, simultaneously to arrive at a reliable definite value for profit-ratios. That is the LaRouche-Riemann program of analysis.

I have therefore initiated the work with my relevant collaborators to begin developing the package for determining the kinds of parity-values required for the needs of the American System of agriculture.

This procedure and policy will bring the 96 percent non-farmers of the electorate into the process of shaping national agricultural policies. Instead of viewing the farmer as a gobbler of subsidies, you will begin to view the farmer as your only source of a stable supply of food at stable prices.